

Message Text

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TO AMEMBASSY BANGKOK

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E.O. 11652: N/A

TAGS: EIND, ETRD, TH

SUBJECT: US FERROUS SCRAP EXPORTS

REF: (A) BANGKOK 2961; (B) BANGKOK 1950

1. USG CONSIDERATION OF POSSIBLE CONTINGENCY RESERVE ALLOCATION FOR THAILAND WOULD BE FACILITATED BY DETAILED RTG ECONOMIC PRESENTATION ON THAI SCRAP NEEDS. SUCH PRESENTATION SHOULD INCLUDE INTER ALIA DATA ON RECENT THAI STEEL PRODUCTION (E.G., 1970 ONWARD); ESTIMATED 1974 STEEL PRODUCTION; DATA FOR SAME PERIOD ON THAI SCRAP UTILIZATION, SHOWING QUANTITIES GENERATED LOCALLY, IMPORTS (INCLUDING SOURCES), AND EXPECTED 1974 UTILIZATION, LOCAL GENERATION, ETC. THUS FAR, JUST ABOUT ALL WE HAVE RECEIVED FROM THAIS HAVE BEEN COMPANY CLAIMS OF ADDITIONAL SCRAP NEEDS.

2. USG HAS MADE FOUR COUNTRY CONTINGENCY ALLOCATIONS (INCLUDING 12,000 ST TO PHILIPPINES) FROM FIRST QUARTER CONTINGENCY RESERVE, AND FIRST QUARTER RESERVE APPEARS FULLY

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COMMITTED. (SHOULD ALSO BE NOTED THAT CONTRARY TO PARA 2

REF A, PHILIPPINES DID NOT HAVE LARGER FIRST QUARTER QUOTA THAN THAILAND. DEPT'S A-697, JAN 24, 1974, SHOWS PHILIPPINE QUOTA OF 2,600 ST, AND THAI QUOTA OF 14,800 ST.) ANY USG CONSIDERATION OF POSSIBLE ALLOCATION TO THAILAND WOULD HAVE TO BE WITHIN CONTEXT OF SECOND QUARTER CONTINGENCY RESERVE. SHOULD BE NOTED HERE THAT WE ALREADY HAVE COUNTRY REQUESTS FOR TONNAGE FAR EXCEEDING LIMITED CONTINGENCY RESERVE (IN

SOME CASES INDIVIDUAL COUNTRY REQUESTS HAVE EXCEEDED TOTAL CONTINGENCY RESERVE), AND THAT THAI REQUEST WOULD HAVE TO BE WEIGHED CAREFULLY AGAINST OTHER REQUESTS. GIVEN LARGE VOLUME FOREIGN REQUESTS, IT HIGHLY UNLIKELY THAT ANY CONTINGENCY ALLOCATION TO THAILAND WOULD BE FOR MORE THAN A FRACTION OF THAILAND'S ALLEGED NEEDS.

3. THAIS MIGHT EXPLORE POSSIBILITIES OF OBTAINING AT LEAST PART OF THEIR SCRAP NEEDS FROM VIET-NAM. IN DECEMBER 1972, USG TURNED TITLE TO ITS SCRAP IN VIET-NAM AND RESPONSIBILITY FOR DISPOSAL OVER TO GVN, UNDER STIPULATION THAT GVN SELL THIS SCRAP THROUGH COMPETITIVE BIDS.

4. WE NOTE IN REF B THAT GS STEEL CO IS THAI-JAPANESE JOINT VENTURE, WITH MITSUBISHI HOLDING MINORITY INTEREST, GS STEEL (AND ANY OTHER THAI-JAPANESE JOINT VENTURE SCRAP USERS) MIGHT ALSO EXPLORE POSSIBILITIES OF OBTAINING SCRAP FROM JAPAN. IT NOT POSSIBLE TO TRANSFER PART OF JAPANESE QUOTA TO THAILAND (OR TO ANY OTHER COUNTRY) OR TO DIVERT US SCRAP SHIPMENTS DESTINED FOR JAPAN TO THAILAND, BUT THERE APPEARS TO BE NOTHING TO PREVENT JAPANESE FROM SELLING SOME OF THEIR OWN SCRAP TO THAILAND, PARTICULARLY WHEN THAI-JAPANESE JOINT VENTURE WOULD BE RECIPIENT.

5. RE US BASE PERIOD (PARA 3 REF A), THREE YEAR BASE CHOSEN AS ONE REFLECTING RECENT US SCRAP TRADE MOST ACCURATELY, AND FAIREST TO ALL CONCERNED OVERALL. PRACTICE IS TO USE SHORTEST BASE PERIOD POSSIBLE, AND IN PAST COMMERCE HAS NEVER USED BASE PERIOD OF LESS THAN ONE YEAR NOR MORE THAN THREE YEARS FOR PURPOSES QUOTA ALLOCATIONS. IN CASE FERROUS SCRAP, THREE YEAR BASE PERIOD ADOPTED PARTLY BECAUSE OF US EAST AND WEST COAST SHIPPING STRIKES IN LIMITED OFFICIAL USE

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DIFFERENT YEARS DURING BASE PERIOD. NUMBER OF COUNTRIES HAVE REQUESTED ESTABLISHMENT OF DIFFERENT AND/OR SPECIAL BASE PERIODS TO GIVE THEM LARGEST POSSIBLE QUOTAS (INCLUDING ONE REQUEST FOR 10 YEAR BASE PERIOD), BUT WE ARE UNABLE TO DO THIS.

6. RE PROBLEM OF SMALL INDIVIDUAL EXPORTER QUOTAS WHICH MAY REQUIRE GROUPING AND MORE EXPENSIVE SHIPPING ARRANGE-

MENTS (PARA 4 REF A), THIS PROBLEM NOT UNIQUE TO THAILAND, BUT ALSO FACED BY MANY OTHER COUNTRIES. IDEAL SOLUTION WOULD BE TO GIVE COUNTRY QUOTA TO LARGEST US EXPORTER OR TO FEW MAJOR EXPORTERS, BUT THIS NOT POSSIBLE UNDER LAW. INDIVIDUAL EXPORTERS MAY GROUP ORDERS TO MAKE UP SHIPLOADS OR ECONOMIC SHIPMENTS, BUT THIS IS RESPONSIBILITY OF EXPORTERS AND USG NOT INVOLVED. ALSO, SINCE FIRST AND SECOND QUARTER LICENSES VALID FOR 90 DAYS, IT POSSIBLE FOR EXPORTER TO COMBINE TONNAGE LICENSED DURING BOTH

QUARTERS AND EXPORT AS SINGLE SHIPMENT DURING OVERLAPPING PERIOD OF VALIDITY OF BOTH LICENSES. IN CASE OF THAILAND, WE NOTE THAT US EXPORTER WITH LARGEST INDIVIDUAL THAI QUOTA HAS ABOUT 60 PERCENT OF OVERALL THAI QUOTA. CONFIDENTIALITY REQUIREMENTS PREVENT COMMERCE FROM DIVULGING IDENTITIES US EXPORTERS HOLDING SHARES OF COUNTRY QUOTAS, BUT THAI IMPORTERS SHOULD KNOW WHO THEIR US SUPPLIERS WERE DURING BASE PERIOD. RUSH

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